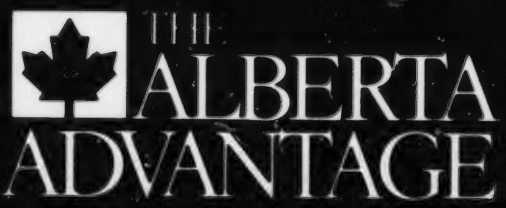
Alberta Profile



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THE
ALBERTA
ADVANTAGE

As a young province in a young country, Alberta has undergone astounding transformation in a remarkably brief period. A largely uninhabited wilderness territory just 150 years ago, Alberta today is a vital component of the Canadian economy. Financially stable, culturally diverse, rich in natural wealth and a skilled and energetic labour force, the province has emerged as an increasingly important supplier of primary resources, manufactured goods, and specialized expertise to markets in Canada and abroad.

The transition had already begun when Alberta became a province in 1905. A transcontinental rail line, completed in the 1880s, had opened the west to agricultural settlement, attracting a flood of immigrants and creating scattered pockets of commercial and industrial growth that were the forerunners of today's prosperous cities.

Thanks to Alberta's favourable climate, vast expanses of arable soil and grazing lands, agriculture quickly became the cornerstone of the provincial economy and remained so for many decades. While agriculture still plays a vital role, since the late 1940s large-scale development of the province's abundant petroleum and natural gas reserves has seen energy-related activity set the pattern for Alberta's growth.

In the meantime, other sectors have prospered. Forestry, manufacturing and service industries, tourism and, increasingly, research and development have all helped expand Alberta's economic base.

Determined to build on traditional strengths -- in agriculture and forestry, in conventional oil, natural gas, oil sands, heavy oil and coal -- Albertans are pursuing new and exciting opportunities in the fields of petrochemicals, food processing, and sophisticated frontier technologies, all of which add significant dimensions to the economy.

Much of the new activity is made possible through revenues generated by the energy sector. The industry is expected to remain the prime generator of growth in Alberta for the foreseeable future, spawning billions of dollars worth of construction and related commercial and industrial activity annually.

In contrast to the boom years of the late 1970s, when general prosperity and escalating world oil prices sparked an unrealistically high level of growth in Alberta, the province has rebounded from recession in the early 1980s to an era of more manageable and sustainable economic expansion.

While a provincial population of 2.4 million represents a relatively modest market, excellent communication links and transportation and distribution systems have expanded market horizons for Alberta industries. Today, Alberta firms trade with virtually every part of the world. Western and northern Canada, the northwestern United States, and Pacific Asia countries, in particular, have emerged as highly accessible and attractive markets for Alberta products and services.

Roughly half of all Albertans live in or near Alberta's two largest cities -- Edmonton and Calgary. Yet the growth of major urban centres has not been achieved at the expense of small communities.

Resource-related activity is widely dispersed throughout the province and this, combined with government emphasis on balanced regional growth, has helped to ensure acceptable levels of activity in rural areas. Small business, in particular, is considered a major generator of regional economic development and jobs and, as such, is encouraged to explore opportunities in all parts of the province. Supporting this trend toward strong regional growth, the Alberta government has decentralized many of its offices and research facilities from larger centres to smaller communities.

Alberta
ECONOMIC DEVELOPMENT
AND TRADE
Strategic Planning Division

Alberta's economy is regaining its momentum following a period of economic downturn in the early 1980s. Even during recession, however, exceptional momentum was maintained. In 1984, for example, Alberta's gross domestic product was $57.5 billion, representing a real increase of 1.4% over 1983 and amounting to $24,534 per person, the highest of any province in Canada.

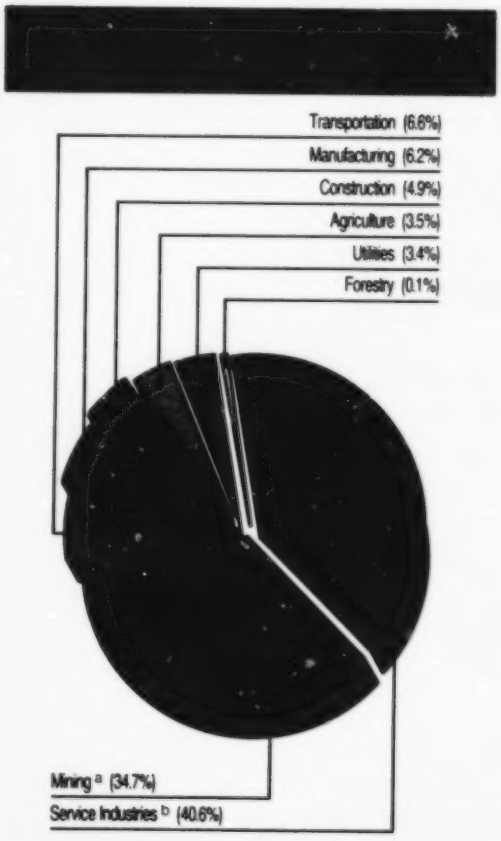
Excluding resource royalties, the service industries produced more than 40% of the total, and thus continue to account for the largest share of total product. These industries now employ over half of all Alberta workers.

Mining, mainly oil and natural gas production, accounts for the second largest share of Alberta's gross domestic product -- almost 35% of the total in 1984. This industry has been the principal driving force in Alberta's economic expansion, although all major industrial sectors have enjoyed substantial real growth as well.

Exports have traditionally accounted for roughly one-quarter to one-third of total product. In 1984 for instance, 30% of Alberta's gross domestic product came from exports, with unprocessed oil, gas and related products accounting for about seven-tenths of this figure.

Sales to persons amounted to 62% of Alberta's gross domestic product in 1984, a significant increase from a 53.4% share in 1969. Alberta's high per-capita income has led to consumer expenditure that is exceptionally high in absolute terms. As one measure of this, 1984 retail sales per capita were over $5,000 in Alberta, substantially higher than in any other province.

Perhaps the clearest indicator of the dynamism of Alberta's economy is the continued strength of investment expenditure in the face of economic downturn. Gross fixed capital formation accounted for 31% of Alberta's gross domestic product in 1984.



a Includes Natural Resource Royalties
b Excludes Natural Resource Royalties

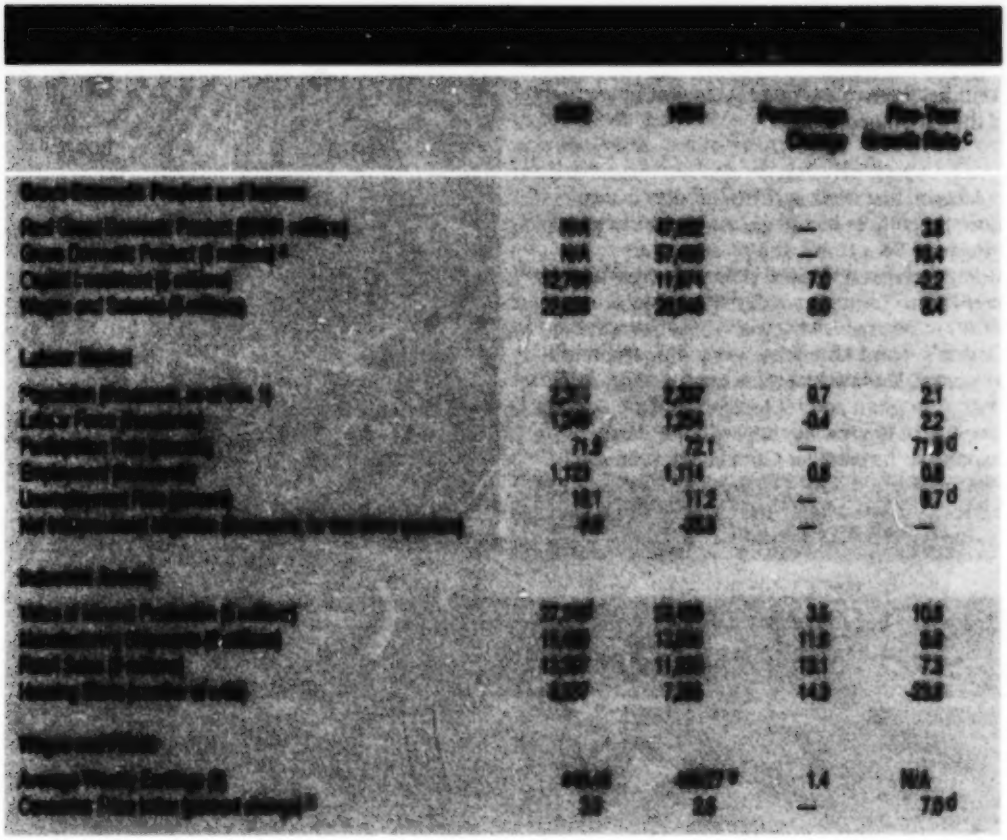
With a little more than 9% of Canada's popu'ation, Alberta attracted more than 15% of Canada's investment, demonstrating the confidence investors have in the future strength of the Alberta economy.

Foreign investment has always been important to Alberta, first in its agricultural sector and more recently in its oil, gas and petrochemical industries. As a result, the province has welcomed recent federal policy changes which have created a more welcoming environment for non-Canadians who wish to participate in Canada's -- and Alberta's -- economic future. In particular, abolition of the restrictive National Energy Program and replacement of the Foreign Investment Review Agency with the more responsive Investment Canada, are seen as positive steps in attracting outside investors and ensuring Alberta's economic well-being for the balance of this century and beyond.

Sales to Persons	58.4	53.7	57.3	62.2
Sales to Government	17.1	16.7	16.0	15.3
Gross Fixed Capital Formation	30.0	30.7	42.9	35.8
Residential Construction	5.8	5.6	7.9	7.3
Non-residential Construction	16.0	14.0	21.0	18.7
Machinery and Equipment	8.1	11.1	14.0	9.8
Value of Physical Change in Inventories	2.1	1.8	1.8	-0.8
Non-farm	0.9	1.6	0.8	0.1
Farm and Grain in Commercial Channels	1.2	0.1	0.1	-0.9
Exports	32.1	38.8	38.8	38.8
Imports	-38.6	-46.8	-45.8	-45.8
Residual	1.0	0.1	-1.0	0.0
Entry for Adjustments	0.0	0.0	0.0	0.0

Components may not total due to rounding.
All figures final but subject to revision.

Source: Alberta Bureau of Statistics.



a *At market price.*
b *The Consumer Price Index for Alberta is taken as the average of the Calgary and Edmonton indices.*
c *Five-year average percentage change.*
d *Five-year average.*
e *March to December average; new series.*

1985 figures are subject to revision

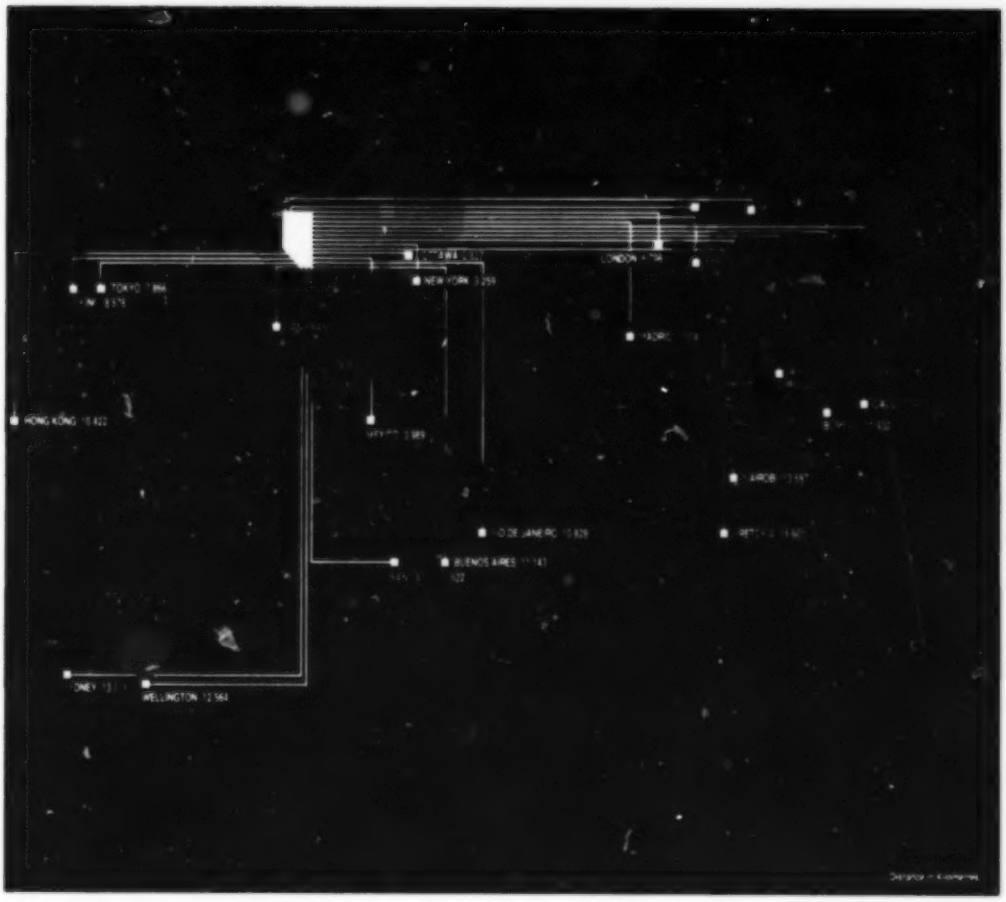
f = forecast

Financial Picture

Royalty revenues from the province's natural resources traditionally contribute to a balanced budget in Alberta. Unlike many jurisdictions plagued by increasing deficits, the province has been in a position to maintain balanced revenues and spending and in many years has registered surpluses. For example, the 1984-85 surplus was $600 million, based on revenues of $9.8 billion and expenditures of $9.2 billion.

This performance, combined with the fact that debt servicing costs have been kept to a minimum, has earned the province a reputation for prudent financial management which is particularly attractive to investors.

Aware that Alberta's fossil fuels, no matter how abundant, represent a diminishing resource, the Alberta government has taken steps to ensure the wealth generated by these resources will have a long-lasting impact on Alberta and its people, through creation of the Alberta Heritage Savings Trust Fund (see page 21).



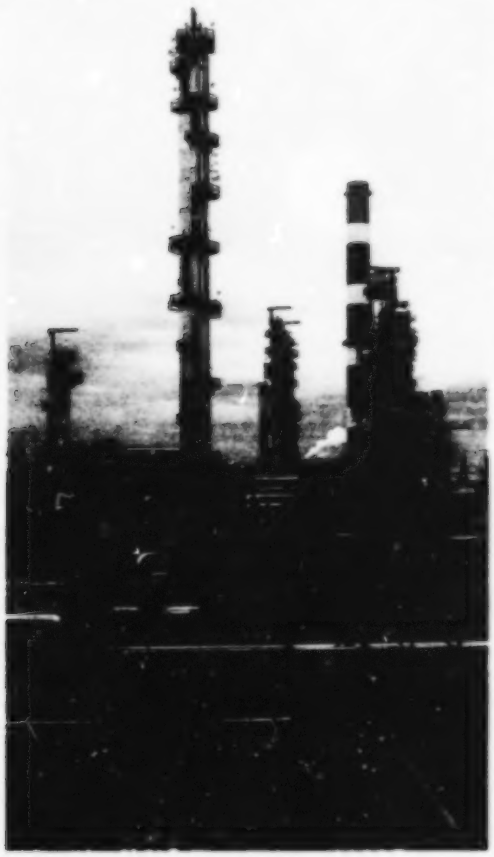
Alberta recognizes that forces and events outside Canada's borders will continue to play an increasingly important role in shaping the province's character and development. Accordingly, it has increased its activity internationally, concentrating primarily on areas of trade and investment. Alberta sees the interchange of knowledge on global economic trends and technological innovation as essential to maintaining its competitiveness. It recognizes and encourages tourism as an important element in the province's economy and maintains significant interest and involvement in cultural exchange, international development assistance, education, science and technology.

Trade and Investment

The agricultural and energy resource sectors have traditionally been the keys to Alberta's economic development and growth. Production levels in these industries far exceed the requirements of the domestic population. With growing levels of activity in other areas, such as natural resource processing and technology development, Alberta's reliance on external markets as outlets for its goods and services has grown appreciably in recent years. On an annual basis, exports account for approximately one-quarter of the province's gross domestic product.

Alberta is also committed to the encouragement of enhanced international trade relationships through the lowering of barriers inhibiting trade between countries. The province has taken a progressive stance in Multilateral Trade Negotiations through the General Agreement on Tariffs and Trade to reduce barriers. As well, Alberta has supported a complementary set of negotiations between Canada and the United States which could dramatically reduce barriers to trade between the two countries.

Alberta has long been a receptive and profitable location for foreign and domestic investment. The passage of the Investment Canada Act in 1985 and the abolition of the Foreign Investment Review Act signalled the easing of foreign investment controls in Canada and greatly improved the prospects of business activity in the country. Essentially, the new Act will encourage and facilitate new investment by eliminating the review process for smaller acquisitions and for the establishment of new businesses while streamlining the process by which larger acquisitions are assessed.



Profits to sales and other performance ratios of foreign controlled firms in Canada have been consistently better than those of Canadian controlled businesses and Alberta has been among the leaders over the past 15 years in the amount of capital invested in the province. In 1983, for example, roughly 20% of all non-residential investment in Canada was directed toward Alberta and 15% of total Canadian fixed assets resided in the province. Additionally, large Alberta businesses in 1985 expressed intentions to increase capital expenditures by over 16%, compared with a national average of 4.6%. Historically, the majority of Alberta applications have been directed toward the primary resource recovery and manufacturing, trade, and service sectors. Promising opportunities also exist in other areas including food processing, high technology, tourism, forestry and petrochemicals.

Exports

Alberta's exports of goods and services were valued at $12.4 billion in 1984., up from $11.4 billion in 1983 and characteristic of the strong increases experienced in recent years. The 1984 total accounted for over 10% of all Canadian exports and represented a major contribution to the trade performance of the entire country.

While Alberta continues to rely on exports of primary products (natural gas, crude petroleum, sulphur, coal, wheat, barley, canola and beef), secondary products (petrochemicals, oil and gas equipment, fertilizers and processed foods) and services are playing increasingly important roles as the provincial economy matures and diversifies into new areas of activity. Crude materials exports over the past decade, for example, have decreased steadily, as a percentage of total exports, accounting for 70% of the total in 1984. Trade in fabricated materials products has gained a consistently growing share of the market, accounting for 24% of all exports in 1984.

About 76% of Alberta's 1984 exports, comprised primarily of crude petroleum and natural gas, were destined for the United States. This market has traditionally received the bulk of Alberta's exports and will continue in future years to represent a major trading partner. However, as Alberta gains a worldwide reputation as a reliable and sophisticated trade region, increasing amounts of Alberta's goods and services are being directed toward other geographical sectors. Activities in markets such as Pacific Asia, Europe, Latin America, the Middle East, Africa and the U.S.S.R., for example, have intensified during the past decade and will continue to be pursued in the future.

Complementing Alberta's strong international trade performance is a commitment on the part of the provincial government to stimulate an environment in which Alberta businesses are able to competitively participate in the global marketplace. Among the mechanisms established to accomplish this are: the Export Services Support Program, a pilot project which encourages Alberta companies to explore the possibilities of pursuing specific projects outside the province; the organization of Trade Shows and the establishment of a number of foreign offices abroad; and the Alberta Agency for International Development which provides assistance in support of development projects and programs in less developed countries.

Other International Activities

Alberta has a rich and varied cultural make-up and attaches much importance to preserving its multicultural heritage. This includes maintaining contacts with the countries of origin of the more than 80 ethnic groups represented in the province. Cultural, educational and sports exchanges are also seen as important vehicles to promote the development of Alberta's artists, teachers, students and athletes, and to improve understanding between people.

Recognizing its responsibilities as a member of the world community, Alberta has had an official international development assistance and emergency relief program in effect since 1974. The Government of Alberta matches funds

raised in the province by non-governmental organizations involved in international assistance projects in developing countries. During the 1984-85 fiscal year, the program contributed just under $10 million to support 469 projects, rural and community development programs, health and medical services, potable water systems and vocational training programs.

The Alberta government also participates in direct development projects. For example, the Alberta Oil Sands Technology and Research Authority makes certain analysis and testing services available to developing countries with hydrocarbon resources similar to those in Alberta.

Alberta also recognizes the value of interchange of ideas in the scientific, technological and academic fields, encouraging exchanges in areas such as soil recovery technology, energy administration, medical research and northern region studies. At the forefront of research related to oil sands development, heavy oil production and enhanced recovery techniques, Alberta has cooperation agreements in these fields with nine countries. On the academic front, Alberta provides financial assistance to Canadian studies programs in foreign universities and donates books to educational institutions.

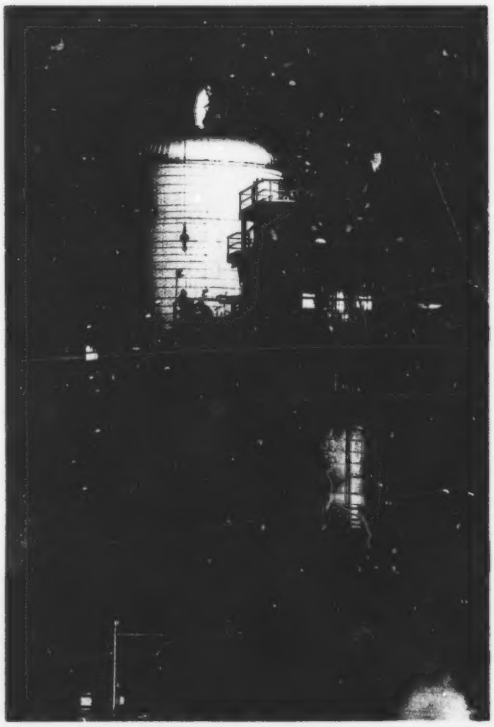
Alberta is currently involved in three special relationships with provinces in Japan (Hokkaido), China (Heilongjiang) and South Korea (Kangwon). The partnerships between Alberta and its three sister provinces are founded upon similarities in climate, geography and natural resources, and are based on Alberta's strong economic interest in Asia. Affiliations between the regions provide an effective bridging mechanism, facilitating cooperation and exchange between different cultures. In addition, they allow Albertans to provide a common ground for cooperation in areas such as resource development, science and technology, medicine, industry, and agriculture, as well as in culture, sports, and education. A further benefit of these relationships is the prestige and recognition earned through Alberta's participation in a unique and productive international initiative. Understandably, Alberta hopes to further develop these and other interests in Pacific Asia.

Alberta's interests in the international sphere encompass a wide range of activities, including trade, investment, entrepreneurial immigration, tourism, culture, education, science and technology, intergovernmental relations and information gathering. To help pursue these objectives and to complement the activities of Canada's posts abroad, Alberta currently maintains foreign offices in London, New York, Tokyo, Hong Kong, Los Angeles and Houston. The offices represent and communicate Alberta's interests abroad, and collect and channel back to Alberta information of interest to the government and private sector. Assistance also is provided to Alberta's private and public sectors pursuing activities in regions covered by the offices.

As well, government and industry annually cooperate in mounting a series of missions abroad. Their purpose is to acquaint foreign buyers with the scope of Alberta industries and expertise, the range of processed and manufactured goods available, and the favourable political and business environment which welcomes -- and facilitates -- foreign investment and international trade.

Energy Resources

Mineral production, valued at more than $26 billion in 1984, continues to be a strong force in the Alberta economy. Major contributors were crude oil and equivalent production which accounted for $15.8 billion or 61% of the total, and natural gas and natural gas by-products which accounted for $8.7 billion or 33%. Sulphur production, influenced by growing demand and rising prices, was valued at $557 million while coal production generated $480 million.



CRUDE OIL

Following 30 years of major oil production in Alberta, the province's established reserves of conventional crude stood at 641 million cubic metres (4 billion barrels) at the beginning of 1985. Most reserves are of light and medium gravity, with a low sulphur content, and are produced in fields in central northwestern Alberta. Smaller amounts of heavy gravity crude oil are present in the east-central and southeastern regions of the province.

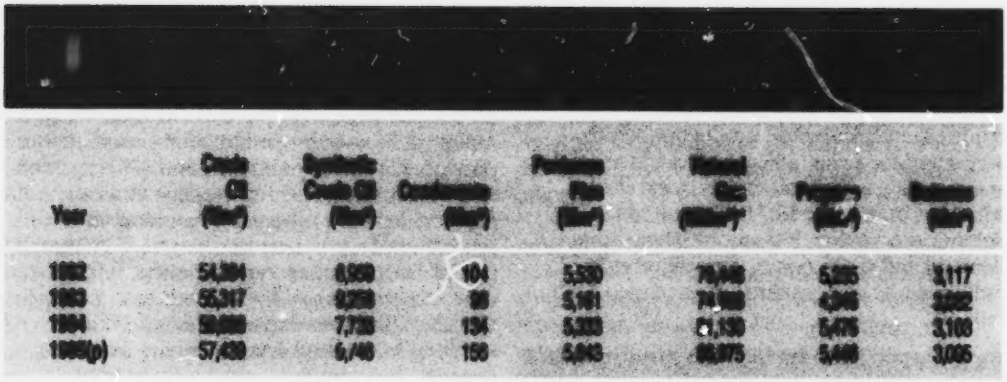
Most of Alberta's crude oil production finds its way outside the province. For example, net production of crude oil and equivalent liquids in 1984 was 81.6 million cubic metres (514 million barrels). While 23% was consumed in Alberta, 57% was shipped to other Canadian provinces (primarily Ontario) and 20% exported to U.S. refineries. This represents a modest recovery in crude oil exports resulting from a relaxation of constraints introduced in 1974 as part of Canada's conservation policy. At that time, exports were restricted and eastern Canadian pipelines expanded into Montreal, resulting in more Alberta oil finding markets in Canada.

OIL SANDS AND SYNTHETIC OIL

Oil bearing sands which underlie a vast expanse of northern Alberta contain impressive reserves of crude bitumen. The estimated 266 billion cubic metres recoverable from the five Alberta oil sands deposits translate into 1,673 billion barrels -- enough to ensure Canada a long-term petroleum supply.

The largest oil sands deposit is found in northeastern Alberta, adjacent to the Athabasca River, where beds of oil sands are exposed at the surface. The Athabasca area contains some 212 billion cubic metres (1,334 billion barrels) of crude bitumen in place, from which approximately 4 billion cubic metres (25 billion barrels) of synthetic crude oil is recoverable using present open-pit mining, extraction and upgrading technology. The larger of two commercial plants currently operating in the Athabasca deposit produces about 120,000 barrels per day of synthetic oil and a debottlenecking project should increase this to 138,000 barrels per day by 1988. The second plant produces about 50,000 barrels daily.

Although oil sands along the Athabasca River can be exploited by open-pit mining, 95% of deposits in the Athabasca area are too deep to be accessible by this technique. The same applies to all of the reserves contained in the remaining four deposits -- Cold Lake, Peace River, Wabasca and Buffalo Head Hills. All must be developed by what are known as "in situ" techniques. These involve the injection of steam



Year	Crude Oil (Mm³)	Synthetic Crude Oil (Mm³)	Condensate (Mm³)	Pentanes Plus (Mm³)	Natural Gas (MMm³)	Propane (Mm³)	Butanes (Mm³)
1982	54,394	6,959	104	5,530	78,948	5,225	3,117
1983	55,317	9,258	98	5,161	74,988	4,966	3,052
1984	59,888	7,733	134	5,333	81,130	5,476	3,109
1985(p)	57,439	6,748	158	5,843	88,875	5,448	3,085

Mm^3 = *Thousand cubic metres*
MMm^3 = *Million cubic metres*
*Net Production - *the sum of raw gas production and net distributor storage minus raw and processed gas injection*
p = preliminary
Source: ERCB Annual Statistics

to mobilize the oil or the injection of air to support underground combustion, enabling the oil to flow to the surface.

The commercial-scale in situ steam drive recovery projects are operating in the Cold Lake area. In addition, three projects have government approval and are under construction. At mid-1985, 72 experimental oil sands and heavy oil schemes were operating in Alberta, most of them involving in situ recovery techniques.

Underscoring the importance of oil sands development to the growth and stability of the provincial economy, the Government of Alberta in 1976 committed $100 million to the Alberta Oil Sands Technology and Research Authority (AOSTRA). The initial commitment covered research projects funded jointly with private industry and other research organizations. In 1979, funding was increased and the mandate of AOSTRA expanded to include research into enhanced recovery techniques for conventional oil deposits as well as oil sands deposits. In 1984, funding was further increased to $468 million.

NATURAL GAS AND LIQUID CO-PRODUCTS
Alberta's abundant and widespread deposits of natural gas represent a major resource. Total remaining established reserves of marketable gas at the end of 1984 were estimated at 1.9 trillion cubic metres (67.4 trillion cubic feet) and ultimate recoverable reserves are estimated at 2.6 trillion cubic metres (92.8 trillion cubic feet). Of the 81 billion cubic metres (2,880 billion cubic feet) of natural gas produced in Alberta in 1984, 26% was consumed within the province, 43% shipped to other Canadian provinces and 31% exported to the U.S.

During the past 25 years, the petroleum industry has developed highly sophisticated technology for processing the large percentage of Alberta natural gas which is wet and/or sour, containing sulphur and liquid co-products such as propane, butanes and pentanes plus. Excluding refinery production, Alberta produces approximately 95% of Canada's pentanes plus, propane and butanes, most of which to go to other Canadian provinces or the the United States.

Agriculture

More than 20.2 million hectares (50 million acres) of rich agricultural land in Alberta are devoted to crop and livestock production and as many as 8.1 million additional hectares (20 million acres) can be added to farmland inventory in future. Today, land clearing and breaking continues to bring new land into production, particularly in the Peace River District of northwestern Alberta.

The trend in Alberta agriculture is toward larger farms through consolidation. Reflecting the dramatic technological change which has taken place since the early 1960s, a single producer can now operate vast tracts of land with equipment that accomplishes more in an hour than could be achieved in a day 20 years ago.

Total crop production in Alberta has more than doubled in the past quarter century, rising from 9.4 million tonnes in 1961 to more than 21 million tonnes in an average year during the 1980s. Wheat production alone exceeds 6.5 million tonnes annually and production of new crops and different varieties of existing crops continues to expand.

Livestock production has also grown significantly. Total inventory of cattle and calves on Alberta farms has increased by 30% since the early 1960s. New breeds introduced to Alberta during the late sixties and early seventies have increased productivity in Alberta's beef industry due to higher birth and weaning weights. In the dairy industry, per-cow production has climbed steadily, resulting in fewer cows producing more milk. As well, new dairy products have been added and cheese production expanded.

Dramatic changes in Alberta's hog industry are reflected in a lower hog inventory in the province. At the same time, the move toward controlled-environment hog barns has allowed individual farmers to raise many more hogs than in the past. Alberta hog farmers now raise an average of over 120 head compared to an average of 36 head in the early 1960s. Today, close to 1,000 farmers operate facilities housing more than 500 animals at a given time.

Significant changes in grading standards for both pork and beef have had a positive impact on Alberta's livestock industry, encouraging quality by rewarding higher quality products with higher returns.

Alberta farmers specializing in poultry production have also upgraded facilities, thus improving production capabilities, feed conversion and output. Alberta remains the major market for the province's poultry producers, who continue to supply consumers with consistent, top quality products.

Alberta leads Canadian provinces in the production of honey. Complementary to the forage seed industry, honey production normally exceeds 10 million tonnes annually. Shipped to markets around the world, Alberta-produced honey is noted for its light colour and delicate subtle flavour.

Farm financing in Alberta is becoming increasingly sophisticated. Today, few purchases of equipment, machinery or livestock occur without financial backing from one of many institutions in the lending market and more producers now seek financial advice from accountants and farm business specialists.

Complex farm finance structures, income tax considerations, increased specialization, capitalization and narrowing margins have created farm businesses with investment of close to, or exceeding, $1 million. Alberta farmers, recognizing that they must have extensive knowledge of all aspects of their business, are well educated and trained to handle these complexities. As well, specialists, skilled in all aspects of agriculture, are available to assist producers.

In Alberta, farming is big business, accounting for more than $2 billion in foreign exports annually. Alberta grain and grain products are sold throughout the world while Alberta livestock and livestock products appear on markets across North America and in Europe and Asia.

1985 Total Farm Cash Receipts = $3,830.8 million

Other Industries

FORESTRY

Alberta's forests cover some 370,000 square kilometres (143,000 square miles) -- roughly 56% of the province. The net merchantable volume of timber, totalling 2.5 billion cubic metres, can support annual allowable cuts of 26.2 million cubic metres. Coniferous species represent 62% of total growing stock while deciduous species account for 38%.

The annual allowable cut supports the manufacture of wood pulp, lumber, plywood, oriented strand board, waferboard and many other wood-based products. In 1982 the primary manufacturing industries shipped products valued at $934 million and directly employed more than 9,000 persons .

In Alberta, forests are managed for multiple uses. Aside from the economic importance of the forest products industry, forests provide benefits to Albertans in the form of fresh water, grazing range, wildlife, fish and recreation areas.

COAL

Alberta coal represents an impressive source of primary energy and potential feedstock for synthetic fuels and chemicals. Formations underlie approximately 300,000 square kilometres (115,800 square miles) in three distinct regions: the Plains, Foothills and Mountain.

Grades and potential uses of Alberta coal vary widely. Most coal mined in the province is sub-bituminous, the major type found in the Plains region. Deposits are often extracted in open-pit mines and burned "as-mined" in thermal power generating stations close to the mine site. In future, coal could be used as feedstock for synthetic natural gas plants, manufacturing liquid fuels, enhanced oil recovery, and oil sands recovery.

Bituminous coals, found in the Mountain and Foothills regions, are good for use as fuel. Mountain coals range from semi-anthracite to high-volatile bituminous although the majority are low- to medium-volatile bituminous metallurgical, used in coking and steel production. Foothills coals are generally high-volatile bituminous thermal, used for power generation. The majority are surface-mineable.

In 1984, productivity, production, gross revenue, sales volumes and average price for coal all increased from the previous year. Production totalled 22.7 million tonnes, more than in any other Canadian province. Of this, 68% was sub-bituminous, 20% bituminous metallurgical, and 12% bituminous thermal.

Remaining recoverable reserves of coal are estimated at 22 billion tonnes, about 77% of which is sub-bituminous and 23% bituminous. Recoverable reserves of high-volatile bituminous thermal coal are estimated at 2.5 billion tonnes. These coals are exported to Ontario, Japan, Korea, and Europe for power generation. Recoverable reserves of low- and medium-volatile bituminous metallurgical coal are estimated at 1.6 billion tonnes. These coals are exported mainly to Japan, Korea and Brazil.

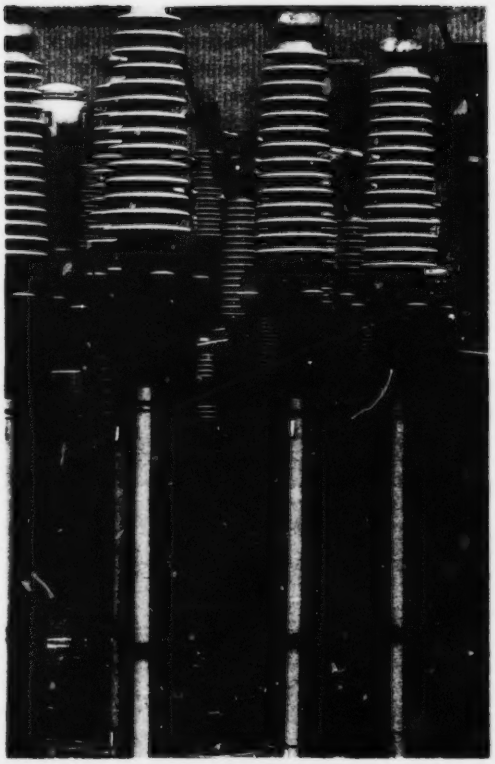
Recent government initiatives, along with ongoing industry activity, are giving research and development related to coal new priority. For instance, the Office of Coal Research and Technology promotes and helps coordinate the funding of research and development of new technology, with a primary focus on enhancing the competitiveness of Alberta coals in international markets. As well, the Coal Research Centre, located southwest of Edmonton at Devon, encourages the growth of an efficient and productive coal mining and processing industry in Canada.

ELECTRIC POWER

Extensive transmission lines connect power plants to major consumption areas on the power grid in Alberta. The grid reaches all but the most remote areas of the province, which are served by isolated plants. Power is generated by hydro plants and plants fueled by coal or natural gas, and is provided by private utility companies and municipalities.

Total net generation from all sources in 1984 was 28,426 gigawatt hours (GWh) reflecting a 9% increase in power requirements from 1983. Hydro-electric generation accounted for 1,400 GWh of total net generation and was provided by plants on the Bow River system west of Calgary and the North Saskatchewan River system adjacent to the central Alberta foothills. Hydro capacity is estimated at 7,000 GWh per year and potential is estimated at 62,000 GWh per year.

Thermal generation is provided by coal and natural gas-fired plants. Much of the sub-bituminous coal used for power generation is



located close to major electric energy load centres. Fuel sources have shifted away from natural gas and hydro to coal over the last 10 years. Net installed capacity, from all sources, was more than 6,400 megawatts at year-end 1984.

A projected decline in the growth of electric energy requirements has delayed the commissioning of two large plants until the end of the decade. However, the second of the two Keephills power plants was commissioned in March, 1984, and the ERCB has recommended that the first of the two Sheerness power plants stay on schedule for commissioning in 1986.

MINERAL RESOURCES

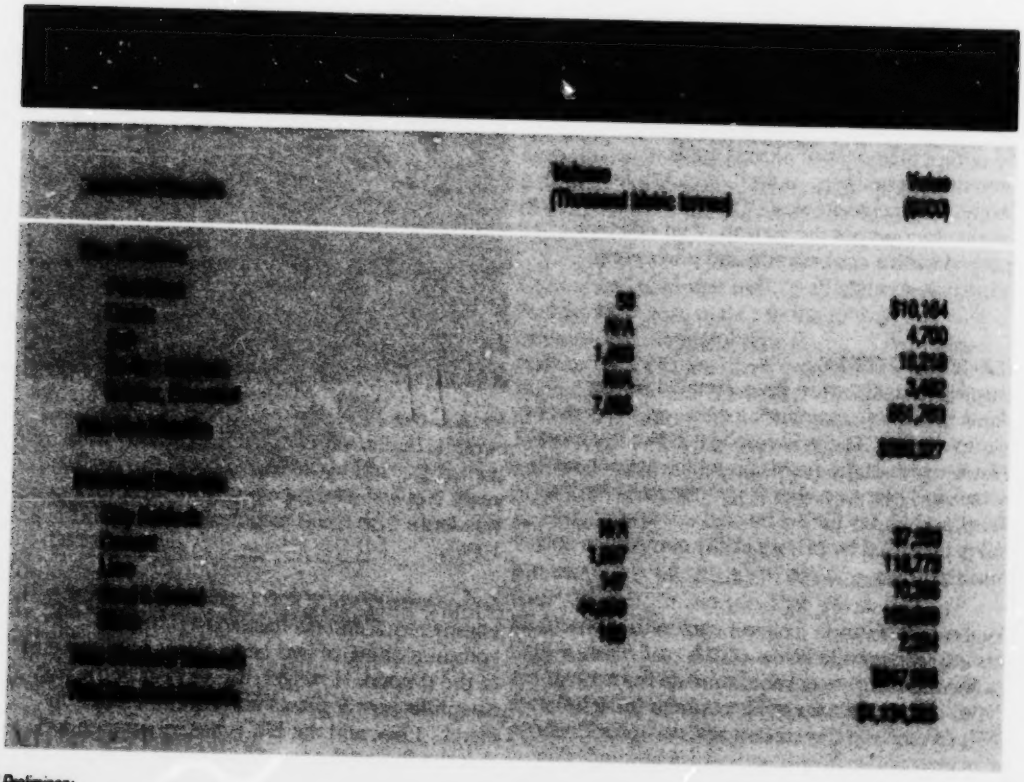
Alberta's non-fuel mineral resources are varied and extensive. Mainly non-metallic, these so-called "industrial minerals" serve as basic raw material for a variety of industries. Gold is the only metallic mineral being produced.

The industrial minerals fall into two main groups: those used for construction materials and those used in chemical industries. The value of production of both groups totalled $1,134 million in 1985.

Construction-oriented minerals include raw materials for cement, ceramics and building products manufacture, and others used essentially unaltered for aggregates. Deposits are sufficiently developed to supply both local and export markets.

In 1985, cement plants operating in Alberta produced approximately one million tonnes of cement, valued at $118.8 million. The plants make use of ample supplies of clays, shales and limestone. A recent major expansion increased total annual production capacity to 2.6 million tonnes.

Construction aggregates constitute by far the largest volume of industrial mineral production in Alberta. Sand and gravel, with annual production of over 40 million tonnes, are the



* Preliminary
Source: Statistics Canada - Canada's Mineral Production, Cat. No. 26-202

major minerals used. Manufactured lightweight aggregates, mainly expanded clays and shales have specialized application, mostly in large urban construction projects. Other non-metallic minerals produced are silica sand, granite, sandstone, limestone and marble.

Aside from hydrocarbons, minerals basic to Alberta's chemical industries are sulphur, salt, saltcake (sodium sulphate), and lime. Alberta is the world's largest producer of sulphur from hydrocarbon sources, producing 97% of Canada's total. In 1985, marketed production of sulphur from gas processing plants, as well as a small amount recovered from the processing of oil sands, was 7.9 million tonnes, valued at $852 million. Interest in sulphur has increased greatly in recent years. World reserves have decreased dramatically while the price has increased by almost 1,000% over the last decade.

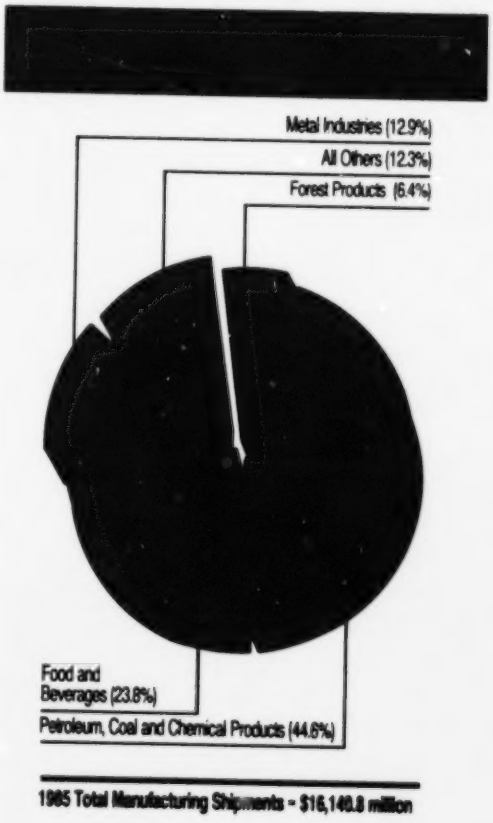
Other non-metallic minerals produced include bentonite and peat moss. Alberta also has large deposits of dolomite but these are not presently being utilized.

Deposits of metallic minerals exist in a number of areas, including the Canadian Shield in northern Alberta. These provide a favourable geologic setting for metallic minerals exploration. Uranium and molybdenite showings have been found north of Lake Athabasca. Other metals with development potential include copper, lead, zinc, iron ore, magnesium, titanium, vanadium and nickel.

MANUFACTURING

As the Alberta economy expands and diversifies, prospects for further growth of the province's manufacturing industry are encouraging. In 1985, the sector provided employment for 87,000 persons, roughly 7% of the total labour force. The value of manufacturing shipments increased by more than $1 billion over 1984 levels to reach a total of $16.1 billion in 1985.

Also contributing to a promising future for manufacturing activity in Alberta is an increasingly mature economy no longer restrained by traditional market disadvantages such as a relatively small domestic population. Population growth in Alberta and Western Canada continues to provide a larger and more affluent consumer market. As well, the province, possessing one of the country's largest financial centres, offers a corporate tax rate among the lowest in Canada and enjoys a highly trained labour force and an assured supply of competitively priced hydrocarbon resources. Factors such as these have enabled Alberta to increase its share of total Canadian manufacturing shipments from 4.6% in 1974 to over 6% in 1985.


Metal Industries (12.9%)
All Others (12.3%)
Forest Products (6.4%)
Food and Beverages (23.8%)
Petroleum, Coal and Chemical Products (44.6%)
1985 Total Manufacturing Shipments - $16,149.8 million

The refined petroleum and coal products industries had shipments valued at $5.15 billion in 1985, representing a 19% increase over the 1984 level. Associated with petroleum refining is the chemical and chemical products industry

which shipped goods valued at $2.05 billion in 1985, up 5% from 1984. Alberta's major petrochemical products include methanol, ethylene, a number of associated derivatives and co-products, and fertilizer materials such as ammonia and urea.

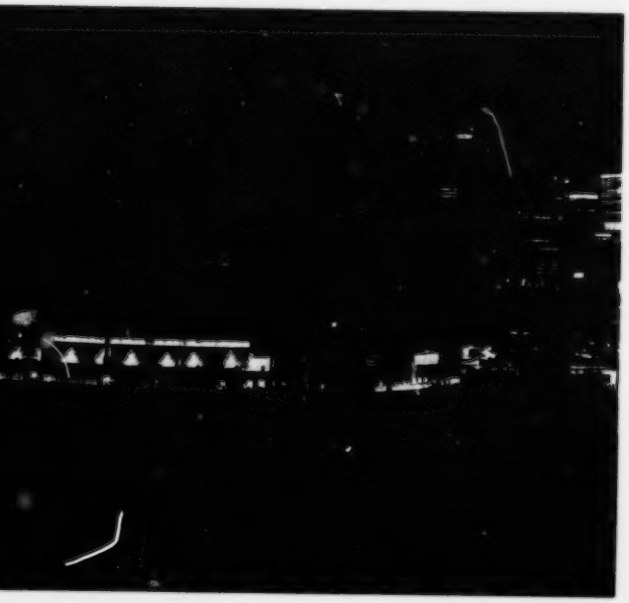
Food processing has played a major role in the Alberta economy. In 1985, food and beverage firms accounted for 23.8% of all manufacturing shipments with the food sector's value of shipments totalling $3.5 billion and beverage industry output reaching $309 million.

The primary metal manufacturing industries, which include steel mills, and pipe and tube mills, had shipments valued at $749 million in 1985, a 10% increase over 1984 figures. Shipments of fabricated metal products increased by 13% in 1985 over 1984 while machinery sector shipments increased by 16% over the same period.

The accompanying table gives a listing of the components of Alberta's manufacturing industry. With the exception of the paper and allied products industry, which experienced a slight decline, all sectors posted gains in the dollar value of shipments in 1985 compared to 1984.

VALUE OF MANUFACTURING SHIPMENTS
ALBERTA - 1985

	$'000
Petroleum, Coal and Chemical Products	
Refined Petroleum and Coal Products	5,151,496
Chemical and Chemical Products	2,049,010
Food and Beverages	
Food	3,527,176
Beverages	309,845
Metal Industries	
Primary Metal	749,947
Fabricated Metal Products	684,964
Machinery	645,626
Forest Industries	
Wood Industries	486,786
Paper and Allied Products	453,141
Furniture and Fixtures	97,426
Miscellaneous Industries	
Non-Metallic Mineral Products	568,805
Printing, Publishing and Allied	575,592
Miscellaneous Manufacturing	146,866
Other	694,088
Total Manufacturing	**16,140,768**



TOURISM

Tourism plays an important part in the Alberta economy, employing about 73,000 persons fulltime (7% of the labour force) and generating revenues of $2 billion in 1984, roughly four times the amount earned by the industry a decade earlier. Today, out-of-province visitors account for approximately 52% of Alberta's tourism revenues.

The growth in tourism markets, both resident and non-resident, had been accompanied by corresponding growth in industry capacity. Transportation systems, parks and recreation facilities and accommodation services have all been expanded and improved. Between 1974 and 1984, for example, the number of hotel/motel rooms in Alberta increased from 30,000 to 47,000.

The Rocky Mountains, and especially Banff and Jasper National Parks, are the prime visitor attractions. Others include a four-season climate with more sunshine than any other part of Canada, beautiful northern regions with abundant wildlife, scenic farming and ranching country and dynamic cities such as Edmonton and Calgary.

For vacationers, Alberta offers outdoor adventure, a wealth of cultural resources and a rich calendar of events. These include annual festivals such as the Calgary Stampede and Edmonton Klondike Days and international events such as the XV Olympic Winter Games at Calgary in 1988.

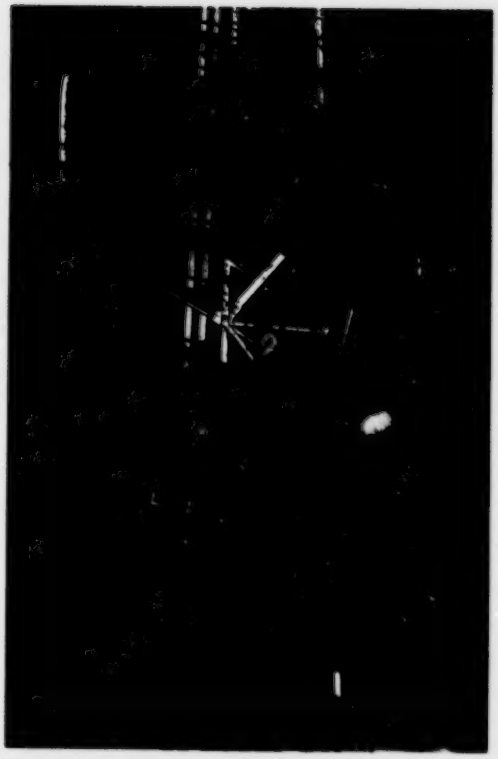
To help Alberta develop its tourism potential, a $56-million federal/provincial program has been launched to support industry in such areas as facility development, marketing and staff training.

COMMUNICATIONS

Alberta has excellent communications networks, connecting communities within the province and linking Alberta to every corner of the world.

Radio and television, both public and private, extend to all parts of the province. Alberta is served by 41 AM and 15 FM radio broadcast originating stations as well as 67 rebroadcast stations and 16 National Park information stations. Eleven television stations operate in major centres with 113 rebroadcast stations ensuring province-wide coverage. In addition, all Alberta communities with 1,000 households or more, along with a number of smaller communities, today enjoy some form of enhanced TV reception thanks to cable systems or subscription television services.

Ten daily newspapers are published in major cities including Edmonton, Calgary, Lethbridge, Medicine Hat, Red Deer, Grand Prairie, Fort McMurray and Lloydminster. The roughly 530,000 copies circulated daily reach about 67% of Alberta households. As well, 140 weekly newspapers have gross circulation of over one million. The magazine publishing trade is growing in Alberta, serving such specialized fields as the oil industry, agriculture, leisure and business development.



The 1.7 million telephones currently in operation in Alberta translate into 74 units per 100 population and the more than 3.3 billion calls made in 1983 place Albertans among the country's leading telephone users.

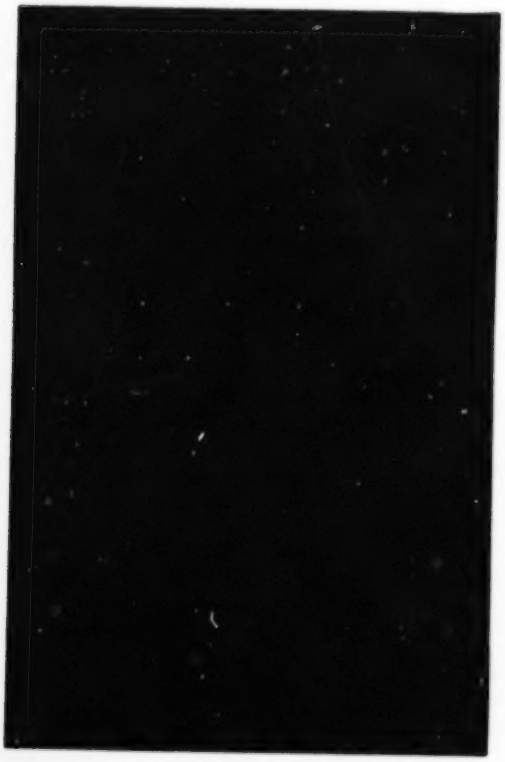
Alberta Government Telephones, the principal telephone company in the province, operates the public switched network as well as specialized networks for data transmission, broadcast relay, mobile communications and private networks throughout the province. The system embodies advanced digital networking and fibre optics technology. Other communications systems include a microwave network, two large teletype systems and a wire service.

As part of a sophisticated telecommunications system, Alberta offers economical access to satellite and other forms of long distance communication, allowing citizens and businesses to maintain international ties.

TRANSPORTATION

The development of modern transportation networks, combined with the increasing value of Alberta's resources, has been a key factor in the economic transformation of the province in recent years. At the same time, better transportation facilities have contributed to improved quality of life, particularly in smaller communities.

Today, more than 15,000 kilometres (9,000 miles) of paved highways and roads link major centres in the province. As well, first class arterial roads and highways link up with similar main highways in adjacent provinces and American states.



Four railway companies serve Alberta: the Canadian National, the Canadian Pacific, Alberta Resources, and the Great Slave Lake Railway. Approximately 11,000 kilometres (6,600 miles) of line provide connections east and west to ocean ports as well as to the Canadian north, and south to the United States.

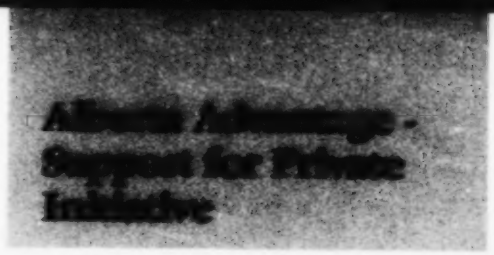
Air transportation plays a vital role in the development of Alberta. Provincially-based firms make use of 89 licensed and several unlicensed airports to provide a variety of services ranging from air charters and aerial surveys to pipeline inspection. Both passenger and air cargo activities have expanded rapidly in Alberta in recent years.

Two major airlines, Canadian Pacific and Air Canada, provide scheduled regional, national and international passenger and air freight services. Pacific Western Airlines is a major regional carrier of freight and passengers, especially into the north, while Time Airways serves several Alberta communities. A number of U.S.-based carriers provide Calgary with international flights; in addition, Wardair serves Alberta with international flights on a charter basis.

Modern transportation services in Alberta's urban centres emphasize not only efficient movement of people but also the need to avoid the environmental problems associated with improperly planned transportation. In 1974, the Alberta government announced an urban transportation policy and program which committed funds for public transit systems, arterial roadways, and urban transportation studies and planning. It was designed to supplement the normal transportation services which local governments provide to their citizens, relieve financial and environmental pressures resulting from private automobile travel, and provide a convenient and comfortable service to the public.

Ten Alberta cities currently operate public transit systems. The existing light rail transit system in Edmonton, the first project of its kind in western Canada, is being expanded. As well, two legs of an ultimate three-leg light rail transit system are operating in Calgary.

The government is committed to assisting the development of high-capacity throughways in each of Alberta's major centres. These are designed to connect major highways, help move trans-city traffic and act as major internal arterials for the cities.



Free Enterprise Philosophy

The Alberta government has long looked to the private sector as a major force in developing the province's economic potential. For its part, government prefers to act as a catalyst, encouraging free enterprise by creating a favourable business climate and participating in major energy projects, for example, only as a joint venture partner with the private sector.

Similarly, in attracting industry to Alberta, government offers incentives in the form of tax or royalty concessions as opposed to outright grants. At the same time, a range of publicly-funded research services and facilities and business assistance programs are available to help Alberta companies capitalize on opportunities to compete internationally with innovative products and processes.

Research and Development Thrust

High technology industries are seen as holding excellent promise for Alberta and as a result research and development is being actively promoted and encouraged in Alberta. Existence of the Alberta Heritage Savings Trust Fund has meant that funds are available to support research and development in a wide range of areas.

The government's commitment to promote further diversification of the provincial economy, by focusing on the development and commercialization of advanced technologies, was given a new impetus with the formation of the **Alberta Department of Technology, Research and Telecommunications** early in 1986.

This emphasis on scientific discovery is not new. The **Alberta Research Council** (ARC), created by the province in 1921 to further economic growth through research and development related to Alberta's resources, was the first of its kind in Canada. Today, it spends close to $40 million annually on programs involving natural resources, oil sands, coal, industrial and engineering research, advanced technologies and applied sciences.

Among ARC's recent initiatives was the establishment of a major biotechnology pilot plant designed to help companies scale up discoveries from bench level experiments to commercial scale production in fields such as chemical processing, agriculture and health care.

While Alberta has already achieved an international reputation for advanced oil sands and heavy oil extraction technology (see page 10 for a description of the Alberta Oil Sands Technology and Research Authority), new strides are now producing successes in food processing, microelectronics, medical and pharmaceutical fields, telecommunications and a variety of cold climate technologies.

Both industry and government are encouraging the move toward increased research and development. On a per-capita basis, Alberta spends more annually on research and development than any other Canadian province. In 1984, for example, the Alberta government alone dedicated $222 million to scientific activity in areas such as engineering, medicine, and the social and natural sciences. This investment, in turn, has attracted an impressive core of scientists and academics who acknowledge the province's interest in nurturing world-class research and development activity.

Other agencies which help the private sector achieve success in high technology include:

THE TELECOMMUNICATIONS RESEARCH CENTRE

Established in 1985 as a partnership between Bell Northern Research Ltd. and the University of Alberta, and supported by the Alberta government, the centre focuses on research in optical communications with emphasis on fibre optics and computer-aided design of microelectronic products and services.

ALBERTA MICROELECTRONIC CENTRE

This initially federally funded and provincially supported centre is located at the University of Alberta where it acts as a focal point for new microelectronic technology, offering a variety of education, training, consulting and research services to Alberta business and industry.

ELECTRONICS INDUSTRY INFORMATION CENTRE

This new government-supported service offers computer links to an information bank, enabling Alberta manufacturers to plug into the latest technical and design information.

THE ALBERTA LASER INSTITUTE

This facility at the University of Alberta helps industry develop and implement laser systems to enhance productivity and competitiveness. The focus is on automated manufacturing and robotics, materials handling and manipulation and microelectronic chip fabrication.

UNIVERSITY OF CALGARY SUPERCOMPUTER

Among other applications, the supercomputing facility is meant to encourage research and training in vector computing technology and to attract world class academic and industrial research to Alberta. Access to the supercomputer by industry and universities is made possible by an Alberta government program which reserves computer time and encourages its use.

CENTRE FOR FRONTIER ENGINEERING RESEARCH (C-FER)

Sponsored by the Alberta government, the National Research Council and the Devonian Group of Charitable Foundations, this centre at the University of Alberta conducts research related to materials and fabrication processes used by the energy and construction industries in cold climates.

FOOD PROCESSING DEVELOPMENT CENTRE

This facility at Leduc, near Edmonton, was established in 1984 to help Alberta food processors apply new technology in the development and packaging of new products and the refining of new processes. Potential users are companies who process meat, dairy, oilseed, vegetable and cereal products.

THE ALBERTA HERITAGE FOUNDATION FOR MEDICAL RESEARCH

The Foundation was created in 1979 and is supported by a $300 million endowment from the Heritage Savings Trust Fund. Its objective is to build a balanced program of medical research by supporting basic and clinical scientists in Alberta hospitals and universities.

Financial Initiatives

The emphasis on new products and processes in Alberta in recent years has created strong demand for responsive sources of financial assistance which can help turn good ideas into viable businesses.

Sensitive to this need, the Alberta government has launched a variety of financial initiatives designed to encourage the success of promising,

well-managed businesses with innovative products and services to sell.

VENCAP EQUITIES LTD. is a $244-million venture capital fund, established with a loan from the Heritage Savings Trust Fund and public sale of shares, which invests in Alberta corporations with substantial growth prospects and the potential to further diversify the Alberta economy.

THE ALBERTA OPPORTUNITY COMPANY is a crown corporation which offers management and financial assistance in the form of loans or loan guarantees to Alberta small businesses, often those in rural areas where conventional financing is not readily available.

THE SMALL BUSINESS EQUITY CORPORATIONS PROGRAM (SBEC) is designed to stimulate the formation of privately organized and managed pools of equity capital to invest in eligible small businesses throughout the province. SBECs offer attractive incentives to investors in the form of grants for individuals and refundable tax credits for corporations.

ALTA-CAN TELECOM INC., a subsidiary of Alberta Government Telephones, is designed to invest in private sector ventures in the fields of microelectronics and telecommunications. The company also offers assistance in manufacturing goods with international appeal.

ALBERTA HERITAGE SAVINGS TRUST FUND
The Heritage Fund was created in 1976 to save a portion – currently 15% – of the province's non-renewable resource revenues. By March 31, 1985, the Heritage Fund had assets of $14.4 billion consisting of $12.3 billion in financial assets and $2.1 billion in deemed assets.

More than half of the Fund's assets are invested under the Alberta Investment Division to help finance affordable housing, provide loans for beginning farmers and small businesses, and finance municipal public works. Other investments include participation in the Syncrude oil sands plant in Fort McMurray and financing for a grain terminal at Prince Rupert, British Columbia, which will boost Alberta's grain export potential from Canada's Pacific coast.

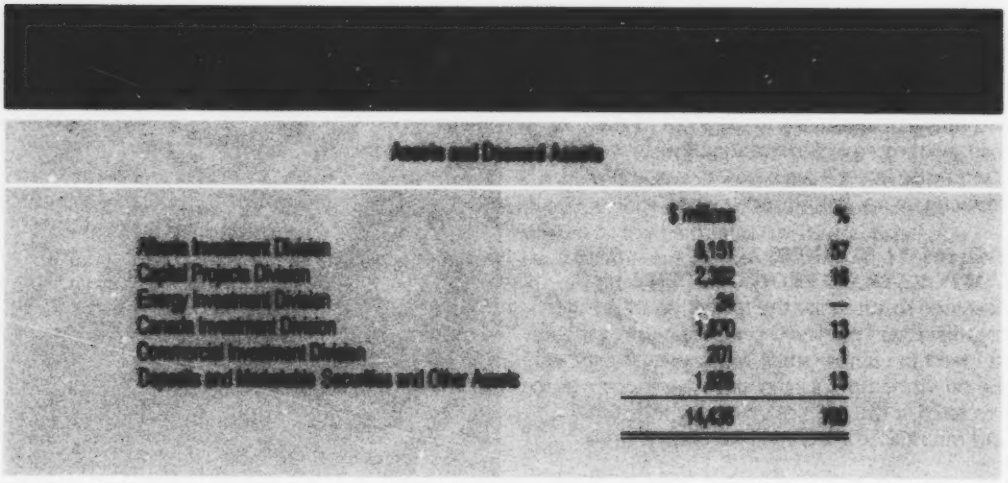
Over $2 billion has been invested through the Capital Projects Division to provide long-term economic or social benefits to the people of Alberta. Investments, which do not necessarily earn a financial return, include irrigation projects, health care facilities, endowment funds for medical research and scholarships, and funding for agricultural and oil sands research. The Energy Investment Division, fosters the development, transportation and processing of Canada's energy resources.

Through the Canada Investment Division $1.9 billion has been invested in debentures issued by the governments of six other Canadian provinces or their agencies. Loans were suspended in 1982 in order to make available additional funds to meet priority needs within Alberta.

The primary objective of the Commercial Investment Division is to earn a commercial rate of return in keeping with the Heritage Fund's overall savings objective. The Division has investments of approximately $200 million in a diversified portfolio of Canadian equities.

Funds which are not immediately required under one of the five Investment Divisions are invested in a portfolio of Deposits and Marketable Securities.

Table 5 summarizes the composition of the Fund at March 31, 1985.



A Favourable Wage and Price Environment

Alberta has weathered both boom years and recession to emerge with a remarkably stable wage and price environment. Alberta's labour force is well paid, but annual wage increases have been below the national average in recent years. This has helped to keep inflation under control. For example, average weekly earnings rose only 1.4% on a nominal basis, in Alberta in 1985.

Alberta's Labour Force

While strikes and lockouts during the negotiation or renegotiation of collective agreements are permitted with some exceptions, certain procedural requirements must be met before any such action can be initiated. The number of person-days lost in Alberta due to strike action is well below the Canadian average.

Alberta has consistently enjoyed employment rates higher than the national average. Among Canadian provinces, Alberta has the highest proportion of its working-age population employed. This is due, in part, to continued growth in the number of working women. Alberta's participation rate of 71.9% in 1985 compared favourably to the Canadian average of 65.2%.

In 1985, the average employed labour force in Alberta numbered 1,123,000 out of a total labour force of 1,249,000. Goods-producing industries accounted for 28% of employment and service industries for 72%.

Manpower Policy and Programs

The Department of Manpower attempts to ensure maximum employment opportunities for Albertans. In doing this, the department regulates and administers the training and certification of tradesmen, provides job-related training programs for skill enhancement and productivity improvement and helps individuals realize their career potential.

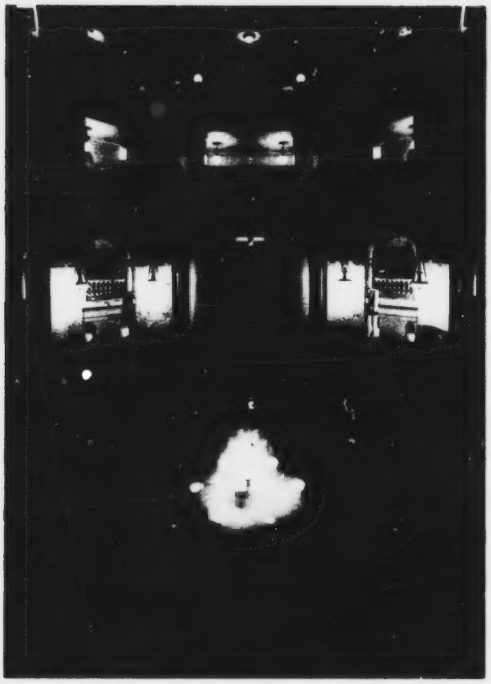
Apprenticeship and certification programs cover 51 designated trades. Alberta Career Centres provide career information, vocational and

educational counselling, testing and referrals for training. Manpower Mobility offices in Edmonton, Calgary and London (England) facilitate entrepreneurial immigration aimed at encouraging the economic development of Alberta.

Taxation

The Alberta tax regime is the most moderate in Canada, involving no retail sales tax and no provincial government tax on gasoline.

Alberta has the lowest personal income tax rate of any province in Canada with a further reduction for low-income persons and no surtax on high-income earners. The tax on persons is based on federal tax which is determined with a progressive tax rate structure. The Alberta personal income tax system also includes a rental aid program for low-income earners. And, since the provincial government picks up a significant part of the education funding portion of the property tax bill, homeowners pay moderate property taxes.



The tax system affecting business in Alberta is also moderate and geared to attracting investment. Alberta's corporate income tax rate, at 11%, is among the lowest in the country. A reduction in rates to 5% is available to small business. Alberta levies no capital tax and provincial payroll taxes are limited to that for workers' safety compensation.

The federal government levies corporate and personal income taxes on all Canadian residents. The corporate rate is 36% of taxable income (15% for small businesses and 30% and 10% for manufacturing carried on by large and small businesses respectively). Individuals pay on the basis of a progressive rate structure.

In addition to income taxes, the federal government imposes a sales tax on all goods manufactured in Canada or imported into Canada, except those which are specifically exempted such as food and clothing. The sales tax rate, applied to the manufacturer's selling price or duty-paid value, is 6% for construction goods, 13% for alcoholic beverages and tobacco, and 10% for all other taxable goods.

Government and Political Stability

As one of 10 Canadian provinces and two territories linked in a federal system of government, Alberta has inherited the traditions of British parliamentary democracy. Legislative authority is vested in a single-chamber legislative assembly composed of 83 elected representatives and a Lieutenant-Governor, the Queen's representative in Alberta.

The Premier and Cabinet Ministers are elected Members of the Legislative Assembly (MLAs), and are responsible to the assembly. Although all members are individually elected, most belong to a political party. The Progressive Conservatives, currently led by Premier Donald Getty, have governed Alberta since 1971. General elections are normally held every four years.

Alberta has a long history of political stability. In fact, for more than 50 years the province has been governed by proponents of the free enterprise system. This philosophy has been a major attraction for foreign investors and residents alike.

The provinces play a significant role in Canadian confederation with specific responsibility in numerous areas, including health and social services, education, property and civil rights, and commerce within provincial borders. Perhaps of greatest importance for provinces such as Alberta is the issue of jurisdiction regarding natural resources. Canadian provinces own most of the natural resources contained within their borders and are responsible for managing the development of those resources. With 85% of Canada's oil and gas production and 50% of its coal reserves, Alberta's role is vital to Canadian energy strategies.

Alberta combines the excitement of industrial progress with the serenity of the Rocky Mountains, the rugged life of the cowboy and oil-rig worker with the world of finance and investment, and the beauty of the northern wilderness with the vigour of modern metropolitan centres. In few other regions of the world do residents share the benefits of amenities and attractions available to Albertans; an unspoiled natural environment, a world class educational system, a culture rich in its diversity and innovativeness, and modern health and social services all contribute to a unique and prosperous Alberta lifestyle.

Environmental Protection

The establishment of environmental legislation and guidelines administered by the Department of Environment reflects the desire of Albertans that the quality of the environment not be eroded through mismanagement. The Department possesses the authority to prevent and control pollution of air, water and land and to manage water resources, conserve land and conduct environmental research. In addition, the Energy Resources Conservation Board has historically assured the orderly development of energy resources. Large areas of protected parks and wilderness areas have also been set aside to ensure preservation of land, forest and wildlife and to provide the backdrop for a widely varied recreational lifestyle.

Education

In Canada, education is a provincial responsibility. Alberta's educational system ranges from pre-school programs through to university post-graduate study. Basic education (grades 1 to 12) is available to all children at no charge while modest fees are charged for higher education and adult retraining courses. The advanced education system includes four public universities (Alberta, Calgary, Lethbridge and Athabasca), three technical institutes, and ten community colleges as well as various provincial vocational centres, private trade schools under government supervision and other specialized schools.

Culture

Alberta offers a large number of cultural activities. Diverse ethno-cultural groups, independently and through government support programs to eligible organizations, are encouraged to maintain and develop their cultural heritages and traditions.

Programs are also in place to support the visual, performing and literary arts as well as museums and historic sights. The two major museums are the Glenbow Institute in Calgary and the Provincial Museum in Edmonton. Alberta's cultural agencies and groups also receive federal government support through such agencies as the Canada Council.

Health and Social Services

The Alberta Health Care Insurance Plan provides basic health and hospitalization coverage for all citizens. Coverage includes the services of general practitioners, medical specialists, osteopaths, optometrists, chiropractors and podiatrists. Special subsidized rates are available for low-income individuals and families. All senior citizens are provided with free coverage which includes hearing aids, eye glasses, dental work and dentures, and some prescribed medical appliances.